

**House File 397 - Introduced**

HOUSE FILE 397  
BY COMMITTEE ON ECONOMIC  
GROWTH

(SUCCESSOR TO HSB 62)

**A BILL FOR**

1 An Act relating to the administration of duties and programs by  
2 the economic development authority.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

CONTRACT ADMINISTRATION

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Section 1. Section 15.106B, subsection 4, paragraph c, Code 2013, is amended by striking the paragraph.

Sec. 2. Section 15.329, subsection 2, Code 2013, is amended to read as follows:

2. a. If the authority finds that a business has a record of violations of the law, including but not limited to antitrust, environmental, and worker safety statutes, rules, and regulations, that over a period of time that tends to show a consistent pattern or that establishes intentional, criminal, or reckless conduct in violation of such laws, the business shall not qualify for economic development assistance under this part, unless except as provided in paragraph "b".

b. If the authority finds that the violations described in paragraph "a" did not seriously affect public health or, public safety, or the environment, or if it did, the authority finds that there were mitigating circumstances involved, the business may qualify for economic development assistance under this part, notwithstanding paragraph "a".

c. In making the findings and determinations regarding violations, mitigating circumstances, and whether the business is disqualified for economic development assistance under this part, the authority shall be exempt from chapter 17A.

Sec. 3. Section 15.330, unnumbered paragraph 1, Code 2013, is amended to read as follows:

A business shall enter into an agreement with the authority specifying the requirements that must be met to confirm eligibility pursuant to this part and the requirements that must be maintained throughout the period of the agreement in order to retain the incentives or financial assistance received. The authority shall consult with the community during negotiations relating to the agreement. The agreement shall contain, at a minimum, the following provisions:

Sec. 4. Section 15.330, subsection 2, Code 2013, is amended

1 to read as follows:

2 2. The repayment of incentives or financial assistance  
3 by the business if the business does not meet any of the  
4 requirements of this part or the resulting agreement. The  
5 repayment of incentives pursuant to this subsection shall be  
6 considered a tax payment due and payable to the department of  
7 revenue by any taxpayer who has claimed such incentives, and  
8 the failure to make such a repayment may be treated by the  
9 department of revenue in the same manner as a failure to pay  
10 the tax shown due or required to be shown due with the filing of  
11 a return or deposit form. In addition, the county shall have  
12 the authority to take action to recover the value of property  
13 taxes not collected as a result of the exemption provided to  
14 the business under this part.

15 DIVISION II

16 MICROENTERPRISES

17 Sec. 5. Section 15.102, subsections 5 and 9, Code 2013, are  
18 amended by striking the subsections.

19 Sec. 6. REPEAL. Section 15.240, Code 2013, is repealed.

20 DIVISION III

21 BROADBAND ACCESS GOVERNING BOARD

22 Sec. 7. 2009 Iowa Acts, chapter 173, section 13, subsection  
23 5, paragraphs b, c, and d, are amended by striking the  
24 paragraphs.

25 DIVISION IV

26 INDUSTRIAL PROPERTY TAX EXEMPTION APPROVALS

27 Sec. 8. Section 427B.1, subsection 1, Code 2013, is amended  
28 to read as follows:

29 1. A city council, or a county board of supervisors as  
30 authorized by section 427B.2, may provide by ordinance for  
31 a partial exemption from property taxation of the actual  
32 value added to industrial real estate by the new construction  
33 of industrial real estate, research-service facilities,  
34 warehouses, distribution centers and the acquisition of or  
35 improvement to machinery and equipment assessed as real estate

1 pursuant to section 427A.1, subsection 1, paragraph "e". "New  
2 *construction*" means new buildings and structures and includes  
3 new buildings and structures which are constructed as additions  
4 to existing buildings and structures. "New construction" does  
5 not include reconstruction of an existing building or structure  
6 which does not constitute complete replacement of an existing  
7 building or structure or refitting of an existing building or  
8 structure, unless the reconstruction of an existing building  
9 or structure is required due to economic obsolescence and the  
10 reconstruction is necessary to implement recognized industry  
11 standards for the manufacturing and processing of specific  
12 products and the reconstruction is required for the owner  
13 of the building or structure to continue to competitively  
14 manufacture or process those products which determination shall  
15 receive prior approval from the city council of the city or the  
16 board of supervisors of the county ~~upon the recommendation of~~  
17 ~~the economic development authority~~. The exemption shall also  
18 apply to new machinery and equipment assessed as real estate  
19 pursuant to section 427A.1, subsection 1, paragraph "e", unless  
20 the machinery or equipment is part of the normal replacement  
21 or operating process to maintain or expand the existing  
22 operational status. "*Research-service facilities*" means a  
23 building or group of buildings devoted primarily to research  
24 and development activities, including, but not limited to, the  
25 design and production or manufacture of prototype products for  
26 experimental use, and corporate-research services which do not  
27 have a primary purpose of providing on-site services to the  
28 public. "*Warehouse*" means a building or structure used as a  
29 public warehouse for the storage of goods pursuant to chapter  
30 554, article 7, except that it does not mean a building or  
31 structure used primarily to store raw agricultural products  
32 or from which goods are sold at retail. "*Distribution center*"  
33 means a building or structure used primarily for the storage  
34 of goods which are intended for subsequent shipment to retail  
35 outlets. "*Distribution center*" does not mean a building or

1 structure used primarily to store raw agricultural products,  
2 used primarily by a manufacturer to store goods to be used in  
3 the manufacturing process, used primarily for the storage of  
4 petroleum products, or used for the retail sale of goods.

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EXPLANATION

6 This bill relates to the administration of duties and  
7 programs of the economic development authority.

8 Division I of the bill eliminates the two-year limitation  
9 on the length of a contract for services entered into by the  
10 authority.

11 Currently, a business is generally ineligible to receive  
12 economic development assistance under the high quality jobs  
13 program if the business has a record that tends to show  
14 a consistent pattern of violations of the law, including  
15 environmental and worker safety laws as well as violations  
16 of related rules and regulations. The division adds that  
17 a business is also ineligible for economic development  
18 assistance if the business engages in a pattern of antitrust  
19 violations or if a business's conduct in violating any laws,  
20 including environmental, worker safety, and antitrust laws is  
21 intentional, criminal, or reckless.

22 Current law requires that an agreement under the high  
23 quality jobs program for assistance or incentives entered into  
24 between the authority and a business include requirements for a  
25 business's eligibility for the incentives or assistance. The  
26 bill adds that the agreement must also include the requirements  
27 that a business receiving incentives or assistance must  
28 maintain throughout the period of the agreement. The authority  
29 must ensure that a business only receives the incentives or  
30 assistance if the business meets the initial eligibility  
31 requirements and maintains the program requirements throughout  
32 the agreement period.

33 Current law also provides that an agreement under the high  
34 quality jobs program must include the repayment of incentives  
35 or assistance by a business if a business does not meet

1 the requirements in statute or the agreement. The division  
2 provides that the repayment of incentives, in this context, is  
3 a tax payment due and payable to the department of revenue by  
4 a taxpayer, and the taxpayer's failure to make the repayment  
5 may be treated by the department of revenue in the same manner  
6 as a failure to pay the tax shown or required to be shown  
7 due when filing a return or deposit form. The division also  
8 authorizes the county to recover property taxes exempted under  
9 the agreement.

10 Division II of the bill eliminates the community  
11 microenterprise development organization grant program.

12 Division III of the bill eliminates the broadband access  
13 governing board created in 2009 Iowa Acts. The governing  
14 board was tasked with establishing a comprehensive plan for  
15 the deployment and sustainability of high-speed broadband  
16 access in areas capable of timely implementation of the  
17 access, establishing a competitive process for the disbursement  
18 of funds for such deployment and sustainability, making  
19 recommendations to the general assembly, and establishing and  
20 maintaining separate accounts for the use of certain proceeds.

21 Division IV of the bill relates to the economic development  
22 authority's approval of industrial property tax exemptions.  
23 The division eliminates the requirement that the economic  
24 development authority recommend prior approval of industrial  
25 property tax exemptions by local governments.